

**REPORT OF THE AUDIT OF THE
CARLISLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**

**Romaine & Associates, PLLC
Certified Public Accountants**

**1011 PARIS ROAD, SUITE 341
MAYFIELD, KY 42066
TELEPHONE (270) 247-8050
FACSIMILE (270) 247-7749**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARLISLE COUNTY FISCAL COURT

June 30, 2005

Romaine & Associates, PLLC has completed the audit of the Carlisle County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Carlisle County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$3,000,920 as of June 30, 2005. The fiscal court had unrestricted net assets of \$937,384 in its governmental activities as of June 30, 2005, with total net assets of \$3,000,921. The fiscal court had total debt principal as of June 30, 2005 of \$5,000 with \$5,000 due within the next year.

Deposits:

The County's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
CARLISLE COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	5
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	7
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	16
NOTES TO FINANCIAL STATEMENTS	18
BUDGETARY COMPARISON SCHEDULES	28
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	31
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	33
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	35
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	38

APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carlisle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carlisle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basis financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carlisle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2006 on our consideration of Carlisle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Krista L Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
May 3, 2006

CARLISLE COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

John Roberts	County Judge/Executive
Burley Mathis	Magistrate
James McPherson	Magistrate
Lyold Presson	Magistrate

Other Elected Officials:

Michael Hogancamp	County Attorney
Rocky James	Jailer
Theresa Owens	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve McChristian	Sheriff
Larry Scott	Property Valuation Administrator
Wayne Floyd	Coroner

Appointed Personnel:

Susan Bailey	County Treasurer
Gail Teasley	Finance Officer

CARLISLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

CARLISLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government	
	Governmental	
	Activities	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 937,384	\$ 937,384
Total Current Assets	<u>\$ 937,384</u>	<u>\$ 937,384</u>
Noncurrent Assets:		
Capital Assets - Net of Accumulated Depreciation		
Land and Land Improvements	\$ 80,915	\$ 80,915
Buildings	864,071	864,071
Vehicles and Equipment	506,988	506,988
Infrastructure Assets - Net of Depreciation	616,563	616,563
Total Noncurrent Assets	<u>\$ 2,068,537</u>	<u>\$ 2,068,537</u>
Total Assets	<u>\$ 3,005,920</u>	<u>\$ 3,005,921</u>
LIABILITIES		
Current Liabilities:		
Financing Obligations	\$ 5,000	\$ 5,000
Total Current Liabilities	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Total Liabilities	<u>\$ 5,000</u>	<u>\$ 5,000</u>
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	\$ 2,063,537	\$ 2,063,537
Unrestricted	937,383	937,383
Total Net Assets	<u>\$ 3,000,920</u>	<u>\$ 3,000,920</u>

The accompanying notes are an integral part of the financial statements.

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CARLISLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CARLISLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 695,504	\$ 1,545	\$ 37,094	\$
Protection to Persons and Property	358,552	121,710	148,015	47,165
General Health and Sanitation	66			
Recreation and Culture	22,846			
Roads	353,835		744,539	12,367
Interest on Short-Term Debt	8,497			
Total Governmental Activities	\$ 1,439,300	\$ 123,255	\$ 929,648	\$ 59,532
Total Primary Government	\$ 1,439,300	\$ 123,255	\$ 929,648	\$ 59,532

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes

Excess Fees

Unrestricted Investment Earnings

Gain on Sale of Equipment

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For The Year Ended June 30, 2005
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Totals
\$ (656,865)	\$ (656,865)
(41,662)	(41,662)
(66)	(66)
(22,846)	(22,846)
403,071	403,071
(8,497)	(8,497)
<u>\$ (326,865)</u>	<u>\$ (326,865)</u>
<u>\$ (326,865)</u>	<u>\$ (326,865)</u>
\$ 271,846	\$ 271,846
34,029	34,029
54,394	54,394
138,629	138,629
6,140	6,140
23,923	23,923
3,452	3,452
37,906	37,906
<u>\$ 570,319</u>	<u>\$ 570,319</u>
243,454	243,454
<u>2,757,466</u>	<u>2,757,466</u>
<u>\$ 3,000,920</u>	<u>\$ 3,000,920</u>

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CARLISLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

CARLISLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Ambulance Fund	Industrial Development Fund	Non- Major Funds
ASSETS					
Cash and Cash Equivalents	\$ 50,647	\$ 382,614	\$ 229,580	\$ 245,816	\$ 28,726
Total Assets	<u>\$ 50,647</u>	<u>\$ 382,614</u>	<u>\$ 229,580</u>	<u>\$ 245,816</u>	<u>\$ 28,726</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 50,647	\$ -	\$ -	\$ -	\$ -
Special Revenue Funds	-	382,614	229,580	245,816	28,726
Total Fund Balances	<u>\$ 50,647</u>	<u>\$ 382,614</u>	<u>\$ 229,580</u>	<u>\$ 245,816</u>	<u>\$ 28,726</u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 June 30, 2005
 (Continued)

Total Governmental Funds	
\$	937,383
\$	937,383
<hr/>	
<hr/>	
\$	50,647
	886,736
<hr/>	
\$	937,383
<hr/>	
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Reconciliation of The Balance Sheet-Governmental Funds to The Statement of Net Assets:

Total Fund Balances	\$ 937,383
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	2,844,467
Accumulated Depreciation	(775,930)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(5,000)
Net Assets Of Governmental Activities	<u>\$ 3,000,920</u>

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CARLISLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CARLISLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Ambulance Fund	Industrial Development Fund
REVENUES				
Taxes	\$ 278,898	\$	\$ 119,799	\$
In Lieu Tax Payments	15,246			
Excess Fees	6,140			
Licenses and Permits	1,545	80		
Intergovernmental	64,830	756,897	13,558	
Charges for Services			121,710	
Miscellaneous	12,043	22,253	13,997	
Interest	1,313	15,078	2,643	4,837
Total Revenues	<u>\$ 380,015</u>	<u>\$ 794,308</u>	<u>\$ 271,707</u>	<u>\$ 4,837</u>
EXPENDITURES				
General Government	\$ 325,349	\$ 10,900	\$ 188,018	\$ -
Protection to Persons and Property	588			
General Health and Sanitation				
Recreation and Culture	10,735			10,000
Roads		306,741		
Debt Service	703	5,590		7,204
Capital Projects	3,500	244,099		
Administration	90,469	46,983	3,052	
Total Expenditures	<u>\$ 431,344</u>	<u>\$ 614,313</u>	<u>\$ 191,070</u>	<u>\$ 17,204</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (51,329)</u>	<u>\$ 179,995</u>	<u>\$ 80,637</u>	<u>\$ (12,367)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	\$ 196,013	\$ 57,500	\$ -	\$ -
Transfers To Other Funds	(153,850)	(190,283)	(10,466)	
Total Other Financing Sources (Uses)	<u>\$ 42,163</u>	<u>\$ (132,783)</u>	<u>\$ (10,466)</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (9,166)	\$ 47,212	\$ 70,171	\$ (12,367)
Fund Balances - Beginning	59,813	335,402	159,409	258,183
Fund Balances - Ending	<u>\$ 50,647</u>	<u>\$ 382,614</u>	<u>\$ 229,580</u>	<u>\$ 245,816</u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 84,952	\$ 483,649
	15,246
	6,140
	1,625
153,895	989,180
	121,710
1,536	49,829
52	23,923
<u>\$ 240,435</u>	<u>\$ 1,691,302</u>
\$ 2,609	\$ 526,876
329,477	330,065
66	66
	20,735
	306,741
	13,497
	247,599
19,299	159,803
<u>\$ 351,451</u>	<u>\$ 1,605,382</u>
\$ (111,016)	\$ 85,920
\$ 132,026	\$ 385,539
(30,940)	(385,539)
<u>\$ 101,086</u>	<u>\$ (0)</u>
\$ (9,930)	\$ 85,920
38,656	851,463
<u>\$ 28,726</u>	<u>\$ 937,383</u>

The accompanying notes are an integral part of the financial statements.

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**CARLISLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

CARLISLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance-Governmental Funds To The Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	85,920
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		247,599
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Depreciation Expense		(86,517)
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Assets disposed of, net book value		(8,548)
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Financing obligations and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, these transactions have no effect on net assets

Financing Obligations Principal Amount		5,000
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Change in Net Assets of Governmental Activities	\$	243,454
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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	18
NOTE 2.	DEPOSITS AND INVESTMENTS	23
NOTE 3.	CAPTIAL ASSETS.....	24
NOTE 4.	DEBT.....	25
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM.....	26
NOTE 6.	DEFERRED COMPENSATION	26
NOTE 7.	INSURANCE.....	26

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances). As of June 30, 2005 the County had no outstanding encumbrances.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Carlisle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Carlisle County Industrial Development Authority

The county has included the Industrial Development Authority as part of its reporting entity because the primary government appoints a voting majority of the governing board and can impose its will to significantly influence the activities of the authority. The financial statements of the Industrial Development Authority are blended with those of the county.

C. Carlisle County Elected Officials Not Part Of Carlisle County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carlisle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no business-type activities or fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The purpose of this fund is to account for funds received and expended in the operation of the ambulance services provided by the county.

Industrial Development Fund - The purpose of this fund is to account for industrial development activities within the county.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Emergency 911 Fund, and Homeland Security Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Fund, Ambulance Fund, Emergency 911 Fund, Homeland Security Fund and the Industrial Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Industrial Development Authority. The Governor's Office of Local Development does not require this fund to be budgeted.

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Carlisle County Fiscal Court: Carlisle County Extension Service.

Note 2. Deposits

The county maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Carlisle County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 80,915	\$	\$	\$ 80,915
Total Capital Assets Not Being Depreciated	\$ 80,915	\$ -	\$ -	\$ 80,915
Capital Assets, Being Depreciated:				
Buildings	\$ 1,115,600	\$ 3,500	\$ -	\$ 1,119,100
Vehicles and Equipment	1,029,838	9,700	(56,987)	982,551
Infrastructure	427,502	234,399		661,901
Total Capital Assets Being Depreciated	\$ 2,572,940	\$ 247,599	\$ (56,987)	\$ 2,763,552
Less Accumulated Depreciation For:				
Buildings	\$ (240,467)	\$ (14,562)	\$ -	\$ (255,029)
Vehicles and Equipment	(475,803)	(48,199)	48,439	(475,563)
Infrastructure	(21,582)	(23,756)		(45,338)
Total Accumulated Depreciation	\$ (737,852)	\$ (86,517)	\$ 48,439	\$ (775,930)
Total Capital Assets, Being Depreciated, Net	\$ 1,835,088	\$ 161,082	\$ (8,548)	\$ 1,987,622
Governmental Activities Capital Assets, Net	\$ 1,916,003	\$ 161,082	\$ (8,548)	\$ 2,068,537

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 8,825
Protection to Persons and Property	28,487
Recreation and Culture	2,111
Roads, Including Depreciation of General Infrastructure Assets	47,094
Total Depreciation Expense - Governmental Activities	<u>\$ 86,517</u>

Note 4. Debt

A. General Fund

During the fiscal year ending June 30, 2005, Carlisle County voted to participated in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2004-2005 fiscal year. As a result, \$64,400 was invested on behalf of the Carlisle County General Fund with interest bearing of \$901 and interest expense of \$702. As of June 30, 2005, all principal and interest amounts associated with the notes had been paid.

B. Road Fund

During the fiscal year ending June 30, 2005, Carlisle County voted to participated in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2004-2005 fiscal year. As a result, \$511,900 was invested on behalf of the Carlisle County Road Fund with interest bearing of \$7,162 and interest expense of \$5,590. As of June 30, 2005, all principal and interest amounts associated with the notes had been paid.

C. Industrial Development Authority Fund

On May 9, 1996, the Industrial Development Authority entered into a land contract with Jack and Mary Boswell, for \$50,000, to purchase land for economic development. An initial payment of \$5,000 was paid on May 9, 1996; the remaining balance of \$45,000 was set up in a promissory note where a principal payment of \$5,000 plus interest of \$2,204 was to be paid every April for 9 years. As of June 30, 2005, the outstanding principal balance of \$5,000.

Changes in Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
KARP	\$ -	\$ 576,300	\$ 576,300	\$ -	\$ -
Financing Obligations	<u>10,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 10,000</u>	<u>\$ 576,300</u>	<u>\$ 581,300</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

Interest on Debt

Debt service includes interest of \$2,906 on the statement of activities.

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

For the fiscal year ended June 30, 2005, the Carlisle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2005, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 202,300	\$ 237,666	\$ 278,898	\$ 41,232
In Lieu Tax Payments	9,500	15,246	15,246	-
Excess Fees			6,140	6,140
Licenses and Permits	1,700	1,700	1,545	(155)
Intergovernmental Revenue	81,801	86,801	64,830	(21,971)
Miscellaneous	200	6,200	12,043	5,843
Interest	500	500	1,313	813
Total Revenues	<u>\$ 296,001</u>	<u>\$ 348,113</u>	<u>\$ 380,015</u>	<u>\$ 31,902</u>
EXPENDITURES				
General Government	\$ 319,281	\$ 369,381	\$ 325,349	\$ 44,032
Protection to Persons and Property	588	588	588	
Recreation and Culture	2,250	10,735	10,735	
Debt Service			703	(703)
Capital Projects			3,500	(3,500)
Administration	114,165	107,692	90,469	17,223
Total Expenditures	<u>\$ 436,284</u>	<u>\$ 488,396</u>	<u>\$ 431,344</u>	<u>\$ 57,052</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (140,283)</u>	<u>\$ (140,283)</u>	<u>\$ (51,329)</u>	<u>\$ 88,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 189,783	\$ 189,783	\$ 196,013	\$ 6,230
Transfers To Other Funds	(64,500)	(64,500)	(153,850)	(89,350)
Total Other Financing Sources (Uses)	<u>\$ 125,283</u>	<u>\$ 125,283</u>	<u>\$ 42,163</u>	<u>\$ (83,120)</u>
Net Changes in Fund Balance	\$ (15,000)	\$ (15,000)	\$ (9,166)	\$ 5,834
Fund Balance - Beginning	15,000	15,000	59,813	44,813
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,647</u>	<u>\$ 50,647</u>

CARLISLE COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2005
 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 100	\$ 100	\$ 80	\$ (20)
Intergovernmental Revenue	897,783	910,961	756,896	(154,064)
Miscellaneous	64,300	89,300	22,253	(67,047)
Interest	13,594	13,594	15,078	1,484
Total Revenues	<u>\$ 975,777</u>	<u>\$ 1,013,955</u>	<u>\$ 794,308</u>	<u>\$ (219,647)</u>
EXPENDITURES				
General Government	\$ 10,800	\$ 10,800	\$ 10,900	\$ (100)
Roads	738,744	800,124	306,741	493,383
Debt Service	-	-	5,590	(5,590)
Capital Projects	80,000	80,000	244,099	(164,099)
Administration	331,450	296,217	46,983	249,234
Total Expenditures	<u>\$ 1,160,994</u>	<u>\$ 1,187,141</u>	<u>\$ 614,313</u>	<u>\$ 572,828</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (185,217)</u>	<u>\$ (173,186)</u>	<u>\$ 179,995</u>	<u>\$ 353,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ -	\$ -	\$ 57,500	\$ 57,500
Transfers To Other Funds	(189,783)	(189,783)	(190,283)	(500)
Total Other Financing Sources (Uses)	<u>\$ (189,783)</u>	<u>\$ (189,783)</u>	<u>\$ (132,783)</u>	<u>\$ 57,000</u>
Net Changes in Fund Balance	<u>\$ (375,000)</u>	<u>\$ (362,969)</u>	<u>\$ 47,212</u>	<u>\$ 410,181</u>
Fund Balance - Beginning	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 335,402</u>	<u>\$ (39,598)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 12,031</u>	<u>\$ 382,614</u>	<u>\$ 370,583</u>

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 68,130	\$ 99,130	\$ 119,799	\$ 20,669
Intergovernmental Revenue	5,000	5,000	13,558	8,558
Charges for Services	65,686	65,686	121,710	56,024
Miscellaneous	2,010	2,760	13,997	11,237
Interest	3,200	3,200	2,643	(557)
Total Revenues	<u>\$ 144,026</u>	<u>\$ 175,776</u>	<u>\$ 271,707</u>	<u>\$ 95,931</u>
EXPENDITURES				
General Government	\$ 164,245	\$ 230,525	\$ 188,018	\$ 42,507
Administration	79,781	45,251	3,052	42,199
Total Expenditures	<u>\$ 244,026</u>	<u>\$ 275,776</u>	<u>\$ 191,070</u>	<u>\$ 84,706</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 80,637</u>	<u>\$ 180,637</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out to Other Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,466)</u>	<u>\$ (10,466)</u>
Total Other Financing Sources (Uses)			<u>(10,466)</u>	<u>(10,466)</u>
Net Changes in Fund Balances	\$ (100,000)	\$ (100,000)	\$ 70,171	\$ 170,171
Fund Balances - Beginning	<u>100,000</u>	<u>100,000</u>	<u>159,409</u>	<u>59,409</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 229,580</u>	<u>\$ 229,580</u>

CARLISLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Industrial Development Authority.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The County has not formally adopted a budget for the Industrial Development Fund, a major special revenue fund. The Governor's Office for Local Development does not require this fund to be budgeted.

**CARLISLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

CARLISLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>DES Fund</u>	<u>Emergency 911 Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 188	\$ 34	\$ 25,930	\$ 2,574	\$ 28,726
Total Assets	<u>\$ 188</u>	<u>\$ 34</u>	<u>\$ 25,930</u>	<u>\$ 2,574</u>	<u>\$ 28,726</u>
FUND BALANCES					
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 188	\$ 34	\$ 25,930	\$ 2,574	\$ 28,726
Total Fund Balances	<u>\$ 188</u>	<u>\$ 34</u>	<u>\$ 25,930</u>	<u>\$ 2,574</u>	<u>\$ 28,726</u>

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CARLISLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

CARLISLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>DES Fund</u>	<u>Emergency 911 Fund</u>
REVENUES				
Taxes	\$	\$	\$	\$ 84,952
Intergovernmental	55,330	1,525	49,875	
Miscellaneous			404	1,132
Interest	19			33
Total Revenues	<u>\$ 55,349</u>	<u>\$ 1,525</u>	<u>\$ 50,279</u>	<u>\$ 86,117</u>
EXPENDITURES				
General Government	\$	\$ 2,609	\$	\$
Protection to Persons and Property	124,520	1,942	29,724	100,950
General Health and Sanitation		66		
Administration	3,813		3,485	12,001
Total Expenditures	<u>\$ 128,333</u>	<u>\$ 4,617</u>	<u>\$ 33,209</u>	<u>\$ 112,951</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (72,984)</u>	<u>\$ (3,092)</u>	<u>\$ 17,070</u>	<u>\$ (26,834)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	\$ 72,700	\$ 2,650	\$ 15,400	\$ 16,100
Transfers To Other Funds	(830)		(30,110)	
Total Other Financing Sources (Uses)	<u>\$ 71,870</u>	<u>\$ 2,650</u>	<u>\$ (14,710)</u>	<u>\$ 16,100</u>
Net Change in Fund Balances	\$ (1,114)	\$ (442)	\$ 2,360	\$ (10,734)
Fund Balances - Beginning	1,302	476	23,570	13,308
Fund Balances - Ending	<u>\$ 188</u>	<u>\$ 34</u>	<u>\$ 25,930</u>	<u>\$ 2,574</u>

CARLISLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

<u>Homeland Security Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 47,165	\$ 84,952
	153,895
	1,536
	52
<u>\$ 47,165</u>	<u>\$ 240,435</u>
\$ 72,341	\$ 2,609
	329,477
	66
	19,299
<u>\$ 72,341</u>	<u>\$ 351,451</u>
<u>\$ (25,176)</u>	<u>\$ (111,016)</u>
\$ 25,176	\$ 132,026
	(30,940)
<u>\$ 25,176</u>	<u>\$ 101,086</u>
\$ -	\$ (9,930)
	38,656
<u>\$ -</u>	<u>\$ 28,726</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 3, 2006. Carlisle County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carlisle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be considered to be material weaknesses

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Carlisle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista L Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
May 3, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

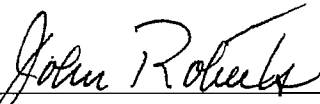
CARLISLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
CARLISLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2005

The Graves County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer